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NATIONAL HOUSEWARES MANUFACTURERS ASSOCIATION

**NINETEENTH** ANNUAL  
MARKETING RESEARCH  
STUDY OF HOUSEWARES  
MANUFACTURERS

**1985**

Research by  
B. Angell & Associates, Inc.



Serving the Housewares Industry since 1938  
Incorporated not for Profit

NATIONAL HOUSEWARES MANUFACTURERS ASSOCIATION  
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April 1986

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#### TO MEMBERS OF THE HOUSEWARES INDUSTRY:

The National Housewares Manufacturers Association is pleased to publish the Nineteenth Annual Marketing Research Study of Housewares Manufacturers.

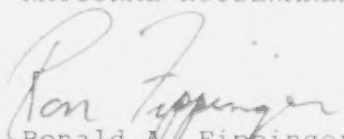
The study surveyed exhibitors from the November 1985 International Housewares Exposition. Once again, the study was conducted by B. Angell & Associates, Inc., an independent market research firm.

Research findings presented in this report provide a realistic picture of the intense economic pressures facing the housewares industry.

We believe the information contained will prove to be valuable and useful to all members of the industry.

Additional copies of the report are available upon written request.

NATIONAL HOUSEWARES MANUFACTURERS ASSOCIATION

  
Ronald A. Fippinger  
Managing Director



April, 1986

### BACKGROUND AND PURPOSE

Over the past nineteen years the National Housewares Manufacturers Association has been conducting annual marketing research studies of housewares manufacturers by surveying exhibitors in its International Housewares Expositions.

The primary purpose of these surveys has been to monitor and track industry sales and marketing trends. More specifically, the surveys provide the following information:

- manufacturers' dollar sales;
- percent of dollar sales by product categories;
- classification of manufacturers by product categories and size;
- anticipated sales projections;
- retail and wholesale trends;
- pricing trends; and,
- other, related issues.

These annual NHMA surveys offer a singular opportunity to monitor industry trends on a continuing basis. They represent the most authoritative body of continuous marketing data about housewares manufacturing currently available to the industry.

### METHOD

Due to the number, diversity and geographic dispersion of housewares manufacturers, it was determined that a self-administered mail questionnaire is the most effective means for obtaining the desired information.

The anonymity of the responses has been maintained by having the completed questionnaires returned for processing to the certified public accounting firm of Berk & Michaels, P.C. of New York.

For the current study, questionnaires were sent to 1,705 exhibitors in the November 1985 NHMA International Housewares Exposition. The findings summarized in this report are based on the responses of 610 manufacturers, representing 36% of the exhibitors. This return rate has been consistent from year to year, thus assuring the comparability of the data.

The rate of return and the resultant sample size provide a reliable and valid profile of the housewares manufacturers who are represented by the NHMA International Housewares Expositions.

Joseph S. Adler  
President

## HIGHLIGHTS OF THE FINDINGS

Following are highlights of those findings most pertinent to the objectives of the survey and of greatest interest to the housewares industry.

- In 1985, while the nation's rate of inflation was 3.8%, housewares manufacturers' total dollar sales volume decreased by 5.6%, to \$23.2 billion. The only other time during the past nineteen years that manufacturers reported a decline was during the years of 1969 and 1970.

The decline in dollar sales is due to a variety of reasons, most notably to changes in the competitive mix and to the increasing impact of some import products.

- Approximately one fourth (24%) of the manufacturers reported annual dollar sales under \$1,000,000. This incidence of smaller manufacturers has been consistent over the past few years. It might be noted that among manufacturers of kitchen tools and gadgets, a third (33%) reported sales of under \$1,000,000 in 1985.

In the current survey, 40% of the manufacturers reported that their total dollar sales in 1985 exceeded \$5 million. Among manufacturers of small electrical appliances, two out of three (68%) reported annual sales of \$5 million and over.

- As in the past, the manufacturers' dollar sales expectations for the coming year were favorable, in spite of the decline. However, although favorable, this year's outlook was subdued.
- While electric housewares represented 36% of the manufacturers total 1985 dollar sales, these account for 11% of the manufacturers.

In turn, while decorative accessories and serving and buffet products and accessories account for approximately equal dollar sales (9% each), these manufacturers represent 14% and 13% of the industry, respectively.

Within the cook and bakeware category, the ratio between the two is seven to one, cookware to bakeware.

Among manufacturers of bath and closet accessories, bath accessories account for somewhat greater dollar sales than do closet accessories.

- In the current survey, 86% of the manufacturers reported that sales are made directly to retail outlets. The remaining 14% of sales, reported to be directly to wholesalers, represent the lowest level since 1966 when this research was initiated.

Approximately a third (32%) of the manufacturers total dollars sales in 1985 was to mass merchandisers. Catalog showrooms and department stores represent 12% and 10% of dollar sales, respectively.

To manufacturers of decorative accessories and outdoor products and accessories, mass merchandisers were especially important. Department stores were mentioned especially by manufacturers of serving and buffet products and accessories. On the other hand, the mention of catalog showrooms was particularly high for electrical housewares and furniture.

It is also noteworthy that while 14% of dollar sales for cook and bakeware were to wholesale outlets, these outlets represented 27% of total sales.

- In 1985, as in the 1984 annual survey, white remained the leading color mentioned for each of five product categories.

For bath accessories, blue was again reported to be the second leading color, at 24%.

For closet accessories, behind white at 51%, blue was mentioned by 12%.

For kitchen appliances and accessories the mention of almond continued its decline. While almond was mentioned by fewer than one third (31%), white was cited by 56%.

For outdoor products and accessories, red was mentioned by 17%, followed by yellow, blue and black (14%, 12% and 11%, respectively).

For serving and buffet products and accessories, black was reported by 15%, followed by red and blue (14% and 11%, respectively).

In addition to the above detail by the categories, and the apparent predominance of white, black and grey appear to be among the "emerging colors".

- Fewer than one out of four (23%) of the manufacturers reported that they increased their prices during 1985. The fewest mentions of any price increases were reported for the following categories:

|                                            |     |
|--------------------------------------------|-----|
| Plastic ware                               | 13% |
| Kitchen tools and gadgets                  | 16  |
| Bath and closet accessories                | 16  |
| Cook and bakeware products and accessories | 17  |

The only reason given more often than before by those manufacturers who expect to raise prices in the coming year were concerns over the "declining dollar". Other reasons, such as "higher material or labor costs" were cited significantly less often in the current survey than in the past.

- Among those manufacturers whose annual dollar sales were under \$1,000,000, the average expenditure for advertising was under \$5,000.

On the other hand, for those manufacturers whose sales exceeded \$5,000,000, the average annual advertising expenditures were reported to be \$155,630. Among these, a third (34%) reported that their advertising expenditures were \$500,000 and over.

The industry's average advertising expenditures were reported to be approximately \$72,000.

- Approximately half (50.6%) of the advertising expenditures were for co-op while the remainder was for direct advertising.

Of the direct advertising expenditures two thirds (65%) were for trade press. Another 23% was for consumer press. Of the rest, 8.4% was for television, 1.7% for direct mail and .9% for radio.

- The most frequently cited problems for the coming year — 1986 — mentioned by housewares manufacturers concerned "changes in the competitive mix". These were noted by 56% of the participants in the current survey as compared to 45% and 32%, respectively in the past two years.

In turn, "economic factors" were mentioned by 24%. Of these, 10% cited the declining dollar. In turn, issues such as "economic outlook/tight money/recession" were noted by only 6%, the lowest level to date.

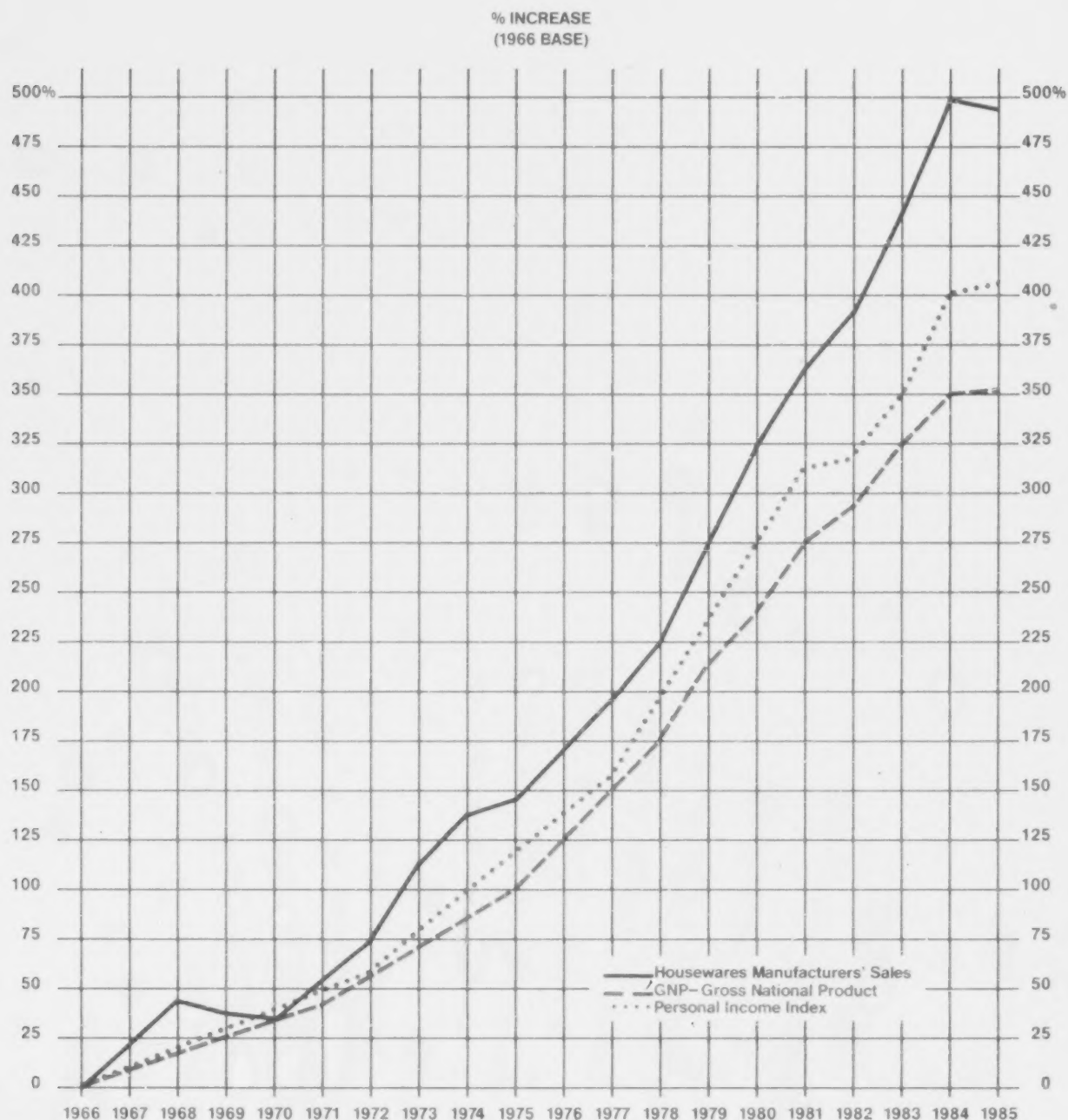
In past years, manufacturers noted "changes in retailers' buying/inventory attitudes" as a source of concern. In the current survey, only 6% mentioned this concern.

Finally, while "promotion/marketing related problems" were cited by only 11% of the participants, among the small manufacturers such concerns were noted more often. Implicit in this is their recognition of their need for greater marketing savvy in today's marketplace.

- Although the manufacturers' reported preference for the Winter/Summer (January/July) Expositions was not significant over the preference for the Spring/Fall (March-April/October-November) schedule, the reasons for the choices were very different.

The Winter/Summer schedule was said to be more compatible with "market buying patterns" while the Spring/Fall allowed for "more lead time". The latter was also preferred for weather related reasons.

PERCENT GROWTH IN HOUSEWARES MANUFACTURERS' SALES - 1966-1985  
COMPARED TO GROSS NATIONAL PRODUCT AND PERSONAL INCOME INDEX.



During the past nineteen years, housewares manufacturers' sales rose from approximately \$4 billion a year in 1966 to more than \$23 billion in 1985. Although the manufacturers' annual sales rose steadily over the years, and their rate of growth continually exceeded that of other leading indicators—such as the Gross National Product and the nation's Personal Income Index—the manufacturers reported declines in annual sales on two occasions, 1969-70 and during 1985.

During the most recent decline, as manufacturers reported a 5.6% decrease in annual sales, the corresponding Gross National Product grew by only 2.2%. Over the same period, the nation's Personal Income Index increased by 5.8%, only 2.0% above the inflation rate.

# INDUSTRY TRENDS - 1966-1985

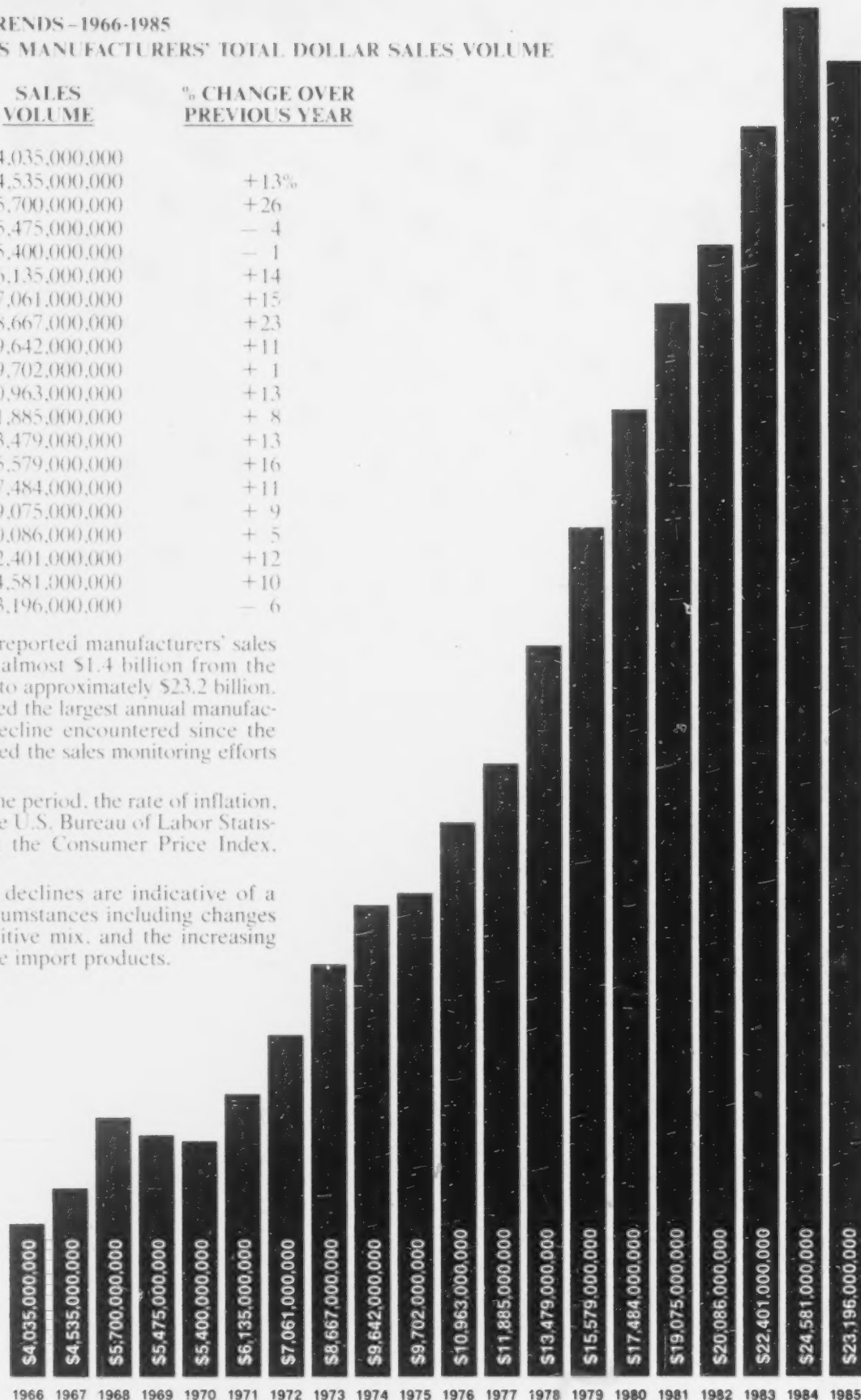
## HOUSEWARES MANUFACTURERS' TOTAL DOLLAR SALES VOLUME

|      | <u>SALES<br/>VOLUME</u> | <u>% CHANGE OVER<br/>PREVIOUS YEAR</u> |
|------|-------------------------|----------------------------------------|
| 1966 | \$ 4,035,000,000        |                                        |
| 1967 | 4,535,000,000           | +13%                                   |
| 1968 | 5,700,000,000           | +26                                    |
| 1969 | 5,475,000,000           | - 4                                    |
| 1970 | 5,400,000,000           | - 1                                    |
| 1971 | 6,135,000,000           | +14                                    |
| 1972 | 7,061,000,000           | +15                                    |
| 1973 | 8,667,000,000           | +23                                    |
| 1974 | 9,642,000,000           | +11                                    |
| 1975 | 9,702,000,000           | + 1                                    |
| 1976 | 10,963,000,000          | +13                                    |
| 1977 | 11,885,000,000          | + 8                                    |
| 1978 | 13,479,000,000          | +13                                    |
| 1979 | 15,579,000,000          | +16                                    |
| 1980 | 17,484,000,000          | +11                                    |
| 1981 | 19,075,000,000          | + 9                                    |
| 1982 | 20,086,000,000          | + 5                                    |
| 1983 | 22,401,000,000          | +12                                    |
| 1984 | 24,581,000,000          | +10                                    |
| 1985 | 23,196,000,000          | - 6                                    |

In 1985, total reported manufacturers' sales decreased by almost \$1.4 billion from the previous year, to approximately \$23.2 billion. This represented the largest annual manufacturers' sales decline encountered since the industry initiated the sales monitoring efforts in 1966.

During the same period, the rate of inflation, reported by the U.S. Bureau of Labor Statistics, based on the Consumer Price Index, was 3.8%.

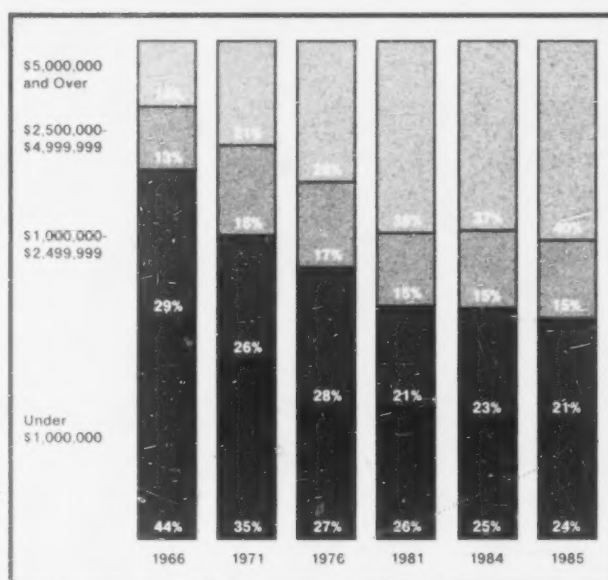
The reported declines are indicative of a variety of circumstances including changes in the competitive mix, and the increasing impact of some import products.



# **SIZE OF HOUSEWARES MANUFACTURERS— BY DOLLAR SALES VOLUME**

|      | Under<br>\$1,000,000 | \$1,000,000-<br>\$2,499,999 | \$2,500,000-<br>\$4,999,999 | \$5,000,000-<br>and Over |
|------|----------------------|-----------------------------|-----------------------------|--------------------------|
| 1966 | 44%                  | 29%                         | 13%                         | 14%                      |
| 1971 | 35                   | 26                          | 18                          | 21                       |
| 1976 | 27                   | 28                          | 17                          | 28                       |
| 1981 | 26                   | 21                          | 15                          | 38                       |
| 1984 | 25                   | 23                          | 15                          | 37                       |
| 1985 | 24                   | 21                          | 15                          | 40                       |

During the past few years, approximately a fourth of the manufacturers reported that their annual sales were under \$1,000,000. In turn, in 1985, 40% reported that their sales were at \$5,000,000 and over.



The incidence of small manufacturers was especially prevalent among manufacturers of kitchen tools and gadgets, a third (33%) of whom reported annual sales under \$1,000,000. In turn, 68% of manufacturers of small electrical appliances reported annual sales of \$5,000,000 and over. Also, 62% of the furniture manufacturers were in the same grouping.

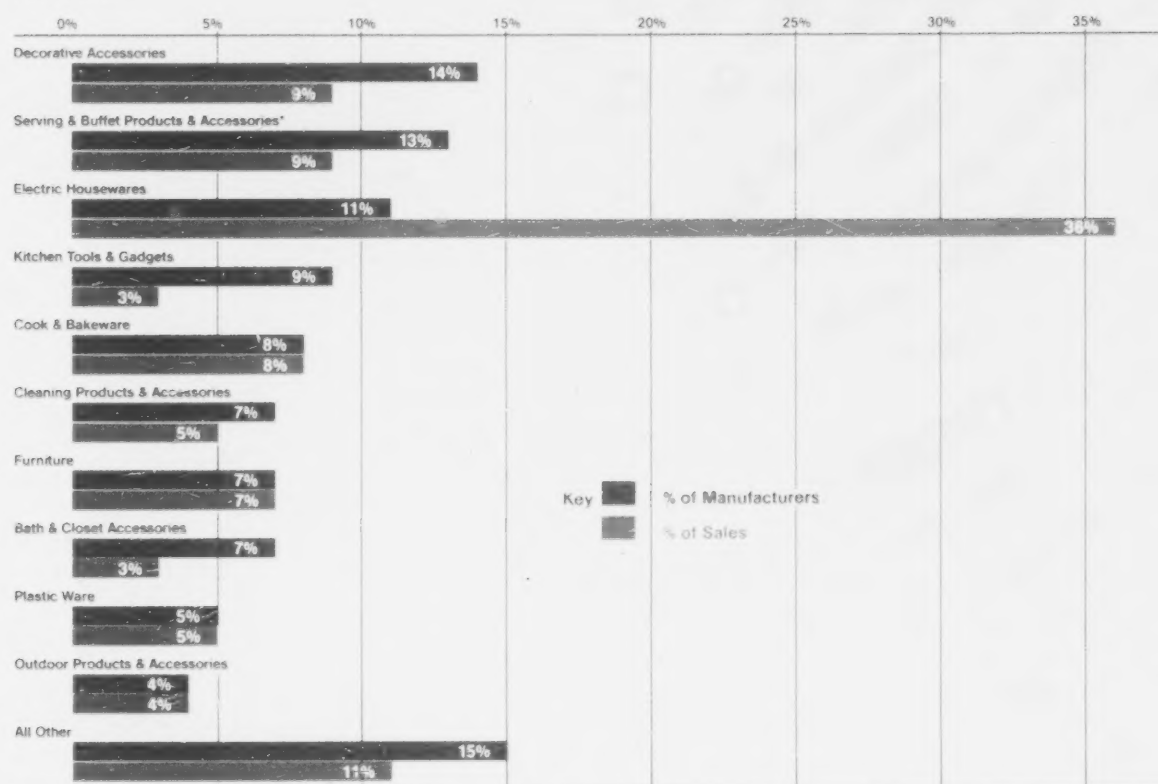
# **SIZE OF HOUSEWARES MANUFACTURERS— BY DOLLAR SALES VOLUME**

| SALES VOLUME            | ACTUAL  | ESTIMATED |
|-------------------------|---------|-----------|
|                         | 1985    | 1986      |
| Under \$1,000,000       | 24%     | 18%       |
| \$1,000,000-\$2,499,999 | 21      | 21        |
| \$2,500,000-\$4,999,999 | 15      | 17        |
| \$5,000,000 and Over    | 40 ]-55 | 44 ]-61   |

In spite of the decline in sales reported in 1985, the favorable outlook indicated by the housewares industry in the past years was repeated for 1986. The manufacturers indicated that they expected their dollar sales volume for the coming year to increase over their actual 1985 sales. Accordingly, whereas 40% of the responding manufacturers stated that their actual sales in the past year exceeded \$5 million, 44% indicated that they expected their sales for the coming year to be over \$5 million. However, although favorable, the outlook was more subdued than had been expected in past years.

**DISTRIBUTION OF HOUSEWARES MANUFACTURERS AND SALES - 1985**  
**BY PRODUCT CATEGORY**

| <b>PRODUCT CATEGORY</b>                  | <b>% OF MANUFACTURERS</b> | <b>% OF SALES</b> |
|------------------------------------------|---------------------------|-------------------|
| Decorative Accessories                   | 14%                       | 9%                |
| Serving & Buffet Products & Accessories* | 13                        | 9                 |
| Electric Housewares                      | 11                        | 36                |
| Kitchen Tools & Gadgets                  | 9                         | 3                 |
| Cook & Bakeware                          | 8                         | 8                 |
| Cookware                                 | 7                         | 7                 |
| Bakeware                                 | 1                         | 1                 |
| Cleaning Products & Accessories          | 7                         | 5                 |
| Furniture                                | 7                         | 7                 |
| Bath & Closet Accessories                | 7                         | 3                 |
| Bath Accessories                         | 4                         | 2                 |
| Closet Accessories                       | 3                         | 1                 |
| Plastic Ware                             | 5                         | 5                 |
| Outdoor Products & Accessories           | 4                         | 4                 |
| All Other                                | 15                        | 11                |



\*Includes Dinnerware, Cutlery and Flatware

In 1985, manufacturers of decorative accessories represented 14% of the participating housewares manufacturers and 9% of the industry's sales.

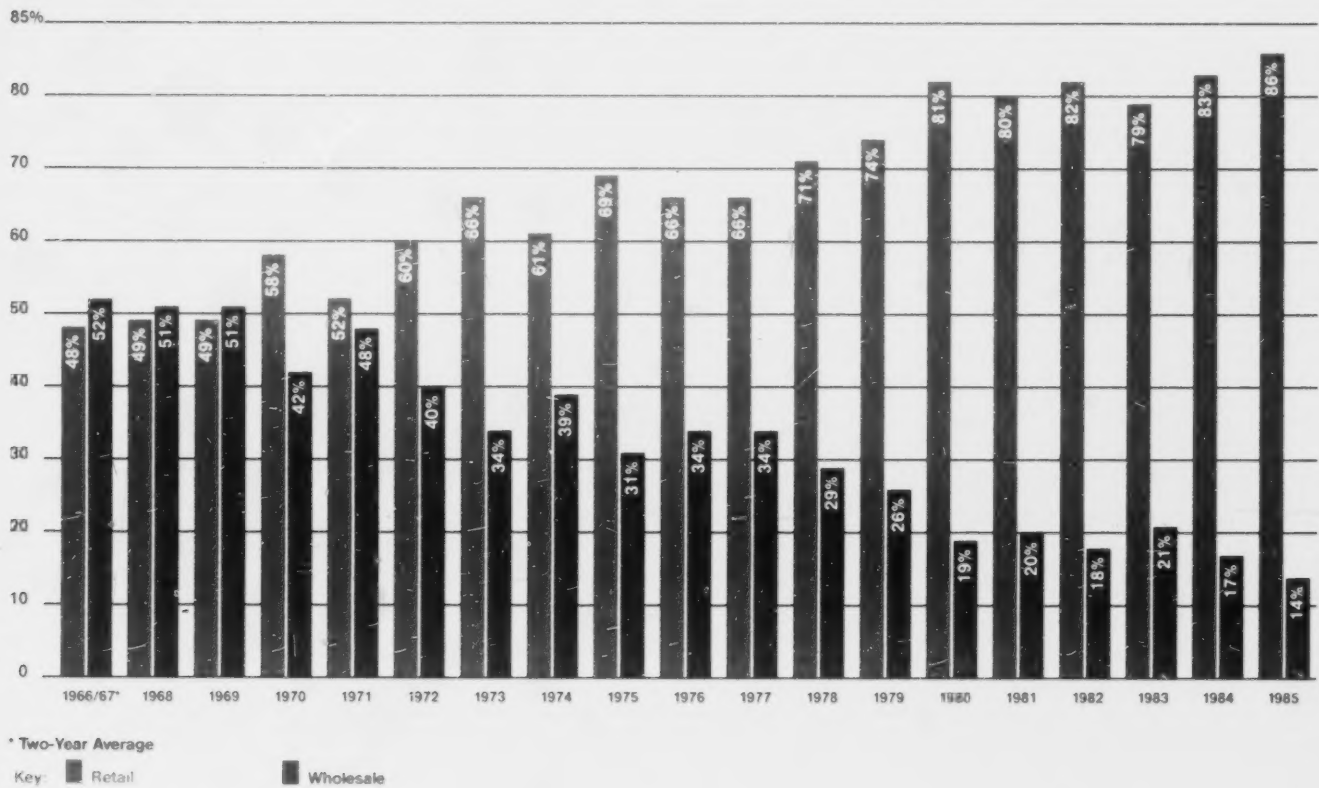
The number of manufacturers of serving & buffet products and accessories rose to 13% of the responding manufacturers, representing 9% of the total manufacturers sales.

Electric housewares, representing 11% of the participating manufacturers, accounted for more than one-third (36%) of the industry's total sales.

In addition to tracking the industry's total sales by major manufacturing categories, since 1984 further detail within several categories was determined. Manufacturers of cookware represent 7% of the manufacturers, whereas bakeware is manufactured by only 1%. Correspondingly, these two segments represent 7% and 1% of sales, respectively.

Similarly, for bath and closet accessories, closet accessories are clearly the lesser both in terms of incidence of manufacturers of such products and their relative dollar volume. In both, the incidence and dollar sales remained unchanged over the previous year.

# RATIO OF HOUSEWARES MANUFACTURERS' SALES TO RETAIL VS. WHOLESALE OUTLETS-1966-1985



The manufacturers who participated in the 1985 survey indicated that only 14% of their total sales were to wholesale outlets. In turn, 86% reported that their sales were directly to retail outlets.

**PERCENT OF TOTAL DOLLAR SALES TO RETAIL AND WHOLESALE OUTLETS—  
(BASED ON RETAIL + WHOLESALE = 100%)**

|                                   | <u>1985</u> | <u>1984</u> | <u>1981</u> | <u>1976</u> | <u>1971</u> | <u>1966/67†</u> |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-----------------|
| <b>RETAIL OUTLETS</b>             | <b>86%</b>  | <b>83%</b>  | <b>80%</b>  | <b>66%</b>  | <b>52%</b>  | <b>48%</b>      |
| Mass Merchandisers                | 32          | 38          | 28          | 20          | 18          | 10              |
| Catalog Showrooms                 | 12          | 9           | 10          | 6           | —           | —               |
| Department Stores                 | 10          | 10          | 11          | 7           | 10          | 10              |
| Drug Stores                       | 7           | 5           | 6           | 4           | 3           | 2               |
| Housewares/ Hardware Stores       | 6           | 3           | 4           | 5           | 3           | 4               |
| Food Stores                       | 5           | 7           | 6           | 5           | 3           | 7               |
| Variety Stores                    | 3           | 2           | 5           | 6           | 7           | 9               |
| Mail Order                        | 2           | 2           | 2           | 4           | 4           | 3               |
| Home Centers                      | 2           | 2           | 2           | 2           | *           | *               |
| Buying Syndicates                 | *           | 1           | 1           | 1           | *           | 1               |
| All Other                         | 7           | 4           | 5           | 6           | 3           | 2               |
| <b>WHOLESALE OUTLETS</b>          | <b>14%</b>  | <b>17%</b>  | <b>20%</b>  | <b>34%</b>  | <b>48%</b>  | <b>52%</b>      |
| Housewares/ Hardware Distributors | 4           | 5           | 7           | 9           | 14          | 17              |
| Rack Jobbers                      | 2           | 2           | 2           | 3           | 3           | 3               |
| Electric Housewares Distributors  | 2           | 1           | 4           | 6           | 8           | 9               |
| Premium Users                     | 1           | 1           | 1           | 2           | 4           | 5               |
| Club & Party Plan                 | 1           | 1           | 1           | 5           | *           | *               |
| Variety Distributors              | *           | 1           | *           | 1           | 1           | 2               |
| Drug Distributors                 | 1           | *           | 1           | 2           | 2           | 1               |
| Premium Distributors              | 1           | *           | 1           | 1           | 1           | 2               |
| Stamp Plan Suppliers              | *           | *           | 1           | 1           | 5           | 7               |
| All Other                         | 2           | 5           | 2           | 4           | 10          | 5               |

† Two-Year Average

— Type not listed

\* Less than 0.5%

According to the participating manufacturers, in 1985, 32% of total dollar sales were to mass merchandisers. Mass merchandisers were especially important to manufacturers of decorative accessories and outdoor products & accessories, where these outlets represented 42% of their total sales.

Sales to department stores were reported at 10% of the industry's total. In addition, the manufacturers of serving and buffet products & accessories indicated that of their sales, 19% were to department stores.

Industry sales to catalog showrooms, at 12%, were the highest reported since this series of tracking studies were initiated. The catalog showrooms were especially important for electric housewares (20%) and furniture (17%).

On the other hand, at 14%, housewares manufacturers' sales to wholesale outlets represented the lowest incidence evident in the past nineteen years. However, for cookware and bakeware, these outlets represented 27% of total sales.

# HIGHLIGHTS OF 1985-1986 HOUSEWARES COLOR PREFERENCES BY PRODUCT CATEGORIES

| <b>BATH<br/>ACCESSORIES</b>                         | <b>Most<br/>Popular<br/>1985</b> | <b>Expected<br/>for 1986</b> | <b>OUTDOOR<br/>PRODUCTS &amp;<br/>ACCESSORIES</b>                                                                                                                                                                     | <b>Most<br/>Popular<br/>1985</b> | <b>Expected<br/>for 1986</b> |
|-----------------------------------------------------|----------------------------------|------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|------------------------------|
| White                                               | 44%                              | 48%                          | White                                                                                                                                                                                                                 | 37%                              | 37%                          |
| Blue                                                | 24                               | 26                           | Red                                                                                                                                                                                                                   | 17                               | 18                           |
| Beige                                               | 7                                | 5                            | Yellow                                                                                                                                                                                                                | 14                               | 14                           |
| Red                                                 | 7                                | 5                            | Blue                                                                                                                                                                                                                  | 12                               | 15                           |
| Almond                                              | 6                                | 6                            | Black                                                                                                                                                                                                                 | 11                               | 16                           |
| Pastel                                              | 5                                | 6                            | Brown                                                                                                                                                                                                                 | 8                                | 4                            |
| Black                                               | 3                                | 7                            | Green                                                                                                                                                                                                                 | 6                                | 6                            |
|                                                     |                                  |                              | Almond                                                                                                                                                                                                                | 6                                | 3                            |
|                                                     |                                  |                              | Grey                                                                                                                                                                                                                  | 4                                | 6                            |
| <b>CLOSET<br/>ACCESSORIES</b>                       | <b>Most<br/>Popular<br/>1985</b> | <b>Expected<br/>for 1986</b> | <b>SERVING &amp; BUFFET<br/>PRODUCTS &amp;<br/>ACCESSORIES</b>                                                                                                                                                        | <b>Most<br/>Popular<br/>1985</b> | <b>Expected<br/>for 1986</b> |
| White                                               | 51%                              | 56%                          | White                                                                                                                                                                                                                 | 36%                              | 38%                          |
| Blue                                                | 12                               | 14                           | Black                                                                                                                                                                                                                 | 15                               | 14                           |
| Brown                                               | 8                                | 10                           | Red                                                                                                                                                                                                                   | 14                               | 17                           |
| Almond                                              | 7                                | 6                            | Blue                                                                                                                                                                                                                  | 11                               | 11                           |
| Yellow                                              | 6                                | 8                            | Almond                                                                                                                                                                                                                | 8                                | 8                            |
| Beige                                               | 6                                | 4                            | Brown                                                                                                                                                                                                                 | 7                                | 8                            |
|                                                     |                                  |                              | Metallic                                                                                                                                                                                                              | 7                                | 7                            |
|                                                     |                                  |                              | Clear                                                                                                                                                                                                                 | 7                                | 8                            |
|                                                     |                                  |                              | Grey                                                                                                                                                                                                                  | 4                                | 8                            |
| <b>KITCHEN<br/>APPLIANCES &amp;<br/>ACCESSORIES</b> | <b>Most<br/>Popular<br/>1985</b> | <b>Expected<br/>for 1986</b> | <div> <p><b>Note:</b> Colors cited by 5% or fewer of manufacturers for both years are not included. Since some manufacturers mentioned more than one color, some of the above tables total more than 100%.</p> </div> |                                  |                              |
| White                                               | 56%                              | 58%                          |                                                                                                                                                                                                                       |                                  |                              |
| Almond                                              | 31                               | 23                           |                                                                                                                                                                                                                       |                                  |                              |
| Red                                                 | 7                                | 10                           |                                                                                                                                                                                                                       |                                  |                              |
| Beige                                               | 7                                | 5                            |                                                                                                                                                                                                                       |                                  |                              |
| Black                                               | 5                                | 8                            |                                                                                                                                                                                                                       |                                  |                              |
| Grey                                                | 2                                | 8                            |                                                                                                                                                                                                                       |                                  |                              |

In the 1985 study, white remained the leading preferred color for every one of the five product categories.

For bath accessories, blue remained the second leading color, cited by 24% of the manufacturers. The emergence of black is noteworthy.

For closet accessories, blue was mentioned at 12% behind the 51% who mentioned white.

For the first time, the mention of white significantly exceeded almond for kitchen appliances and accessories 56% vs. 31%, respectively.

For outdoor products and accessories, the mention of white as the most popular color rose from 21% in 1983 and 30% in 1984 to 37% in the current survey.

For serving and buffet products and accessories, white was noted by 36%, same as in 1984. In addition, the mention of black at 15% is noteworthy.

# 1985 1986 HOUSEWARES PRICE INCREASES

|                                   | % OF MANUFACTURERS |             |             |             |
|-----------------------------------|--------------------|-------------|-------------|-------------|
|                                   | ACTUAL             |             | ANTICIPATED |             |
|                                   | 1985               | 1984        | 1986        | 1985        |
| <b>NO PRICE INCREASE</b>          | <b>77%</b>         | <b>64%</b>  | <b>50%</b>  | <b>54%</b>  |
| <b>% AMOUNT OF PRICE INCREASE</b> | <b>23</b>          | <b>36</b>   | <b>50</b>   | <b>46</b>   |
| 1-4%                              | 11                 | 17          | 17          | 22          |
| 5                                 | 6                  | 9           | 15          | 14          |
| 6-9                               | 3                  | 7           | 8           | 6           |
| 10                                | 1                  | 2           | 5           | 3           |
| 11-14                             | * ]-2              | — ]-2       | 1 ]-8       | — ]-3       |
| 15                                | *                  | —           | 1           | —           |
| Over 15                           | *                  | —           | 1           | —           |
| Amount Not Specified              | 1                  | 1           | 2           | 1           |
| <b>AVERAGE PRICE INCREASE</b>     | <b>4.7%</b>        | <b>5.3%</b> | <b>5.7%</b> | <b>4.6%</b> |

\*Less than .5%

In the current study, only 23% of the manufacturers indicated that in 1985 their prices were increased. In turn, it is noteworthy that 77% of the manufacturers indicated that they did not increase their prices in 1985. Half (50%) don't anticipate that their prices will be increased in the coming year. The average price increase reported for 1985 was 4.7%, while 5.7% is anticipated for the coming year. However, when taking into account those who did not increase their prices, the average increase in 1985 was 1.1%.

The fewest mentions of any price increases were reported by manufacturers of...

|                                             |     |
|---------------------------------------------|-----|
| ...Plastic ware                             | 13% |
| ...Kitchen tools & gadgets                  | 16  |
| ...Bath & closet accessories                | 16  |
| ...Cook and bakeware products & accessories | 17  |

|                                    | 1986       | 1985       |
|------------------------------------|------------|------------|
| <b>EXPECTED TO INCREASE PRICES</b> | <b>50%</b> | <b>46%</b> |
| <b>REASONS FOR PRICE INCREASES</b> |            |            |
| Higher material costs              | 43         | 64         |
| High labor costs                   | 31         | 45         |
| Declining dollar                   | 28         | —          |
| Higher overhead costs              | 26         | 30         |
| Inflation                          | 6          | 1          |
| Higher freight costs               | 4          | 8          |
| <b>NO PRICE INCREASES EXPECTED</b> | <b>50%</b> | <b>54%</b> |

**Note:** Since some manufacturers mentioned more than one reason, the above table totals more than 100%.

The reasons given for the expected price increases in 1986 were consistent with those given in 1985. The only increase was in the mention of the "declining dollar" mentioned by 28% versus virtually no mentions previously.

# HOUSEWARES MANUFACTURERS' ADVERTISING EXPENDITURES DURING 1985

| COMPANY'S TOTAL<br>ADVERTISING<br>EXPENDITURES | SIZE OF MANUFACTURERS (ANNUAL DOLLAR SALES) |                      |                             |                             |                         |
|------------------------------------------------|---------------------------------------------|----------------------|-----------------------------|-----------------------------|-------------------------|
|                                                | TOTAL<br>SAMPLE                             | UNDER<br>\$1,000,000 | \$1,000,000-<br>\$2,499,999 | \$2,500,000-<br>\$4,999,999 | \$5,000,000<br>AND OVER |
| Less than \$10,000                             | 12%                                         | 32%                  | 11%                         | 3%                          | 4%                      |
| \$10,000-\$49,999                              | 30                                          | 49                   | 45                          | 29                          | 14                      |
| \$50,000-\$74,999                              | 11                                          | 7                    | 13                          | 18                          | 10                      |
| \$75,000-\$99,999                              | 3                                           | 3                    | 5                           | 5                           | 1                       |
| \$100,000-\$199,999                            | 16                                          | 4                    | 15                          | 30                          | 18                      |
| \$200,000-\$499,999                            | 12                                          | 3                    | 8                           | 9                           | 19                      |
| \$500,000 and over                             | 17                                          | 2                    | 3                           | 6                           | 34                      |
| Average                                        | \$72,012                                    | \$4,534              | \$11,386                    | \$18,058                    | \$155,630               |

The average advertising expenditure reported by the housewares manufacturers was \$72,012 per year. Almost half (42%) reported that they spent less than \$50,000 on advertising in 1985.

Among the smaller manufacturers, the average 1985 advertising expenditure was under \$5,000.

On the other hand, one out of three (34%) of the larger manufacturers, (whose sales exceeded \$5,000,000) reported expenditures of over \$500,000. However, the average budget for this group was over \$150,000 in 1985.

## TYPES OF ADVERTISING USED BY HOUSEWARES MANUFACTURERS

|         | TYPE OF<br>ADVERTISING |        | DIRECT ADVERTISING |                   |            |                |       |
|---------|------------------------|--------|--------------------|-------------------|------------|----------------|-------|
|         | CO-OP                  | DIRECT | TRADE<br>PRESS     | CONSUMER<br>PRESS | TELEVISION | DIRECT<br>MAIL | RADIO |
| None    | 27%                    | 22%    | 15%                | 58%               | 86%        | 98%            | 93%   |
| 1- 9%   | 1                      | 4      | 5                  | 3                 | 1          | *              | 3     |
| 10-49%  | 17                     | 24     | 13                 | 12                | 4          | —              | 4     |
| 50-89%  | 23                     | 18     | 13                 | 16                | 4          | *              | —     |
| 90-99%  | 10                     | 5      | 3                  | 2                 | 3          | *              | —     |
| 100%    | 22                     | 27     | 51                 | 9                 | 2          | 1              | —     |
| Average | 50.6                   | 49.4   | 65.2               | 23.2              | 8.4        | 1.7            | .9    |

\*Less than .5%

Housewares manufacturers reported essentially equal expenditures for co-op (50.6%) and direct advertising (49.4%).

Of the direct advertising, almost two-thirds (65%) was for trade press and (23%) for consumer press. The remainder was divided as follow:

|             |      |
|-------------|------|
| Television  | 8.4% |
| Direct Mail | 1.7  |
| Radio       | .9   |

## MANUFACTURERS PREFERENCE FOR EXPOSITION DATES

|                                            | EXPOSITIONS PREFERENCE      |                           |                  |
|--------------------------------------------|-----------------------------|---------------------------|------------------|
|                                            | PREFER WINTER<br>AND SUMMER | PREFER SPRING<br>AND FALL | NO<br>PREFERENCE |
| Manufacturers' preference                  | 50%                         | 46%                       | 4%               |
| Reasons for preference                     |                             |                           |                  |
| More appropriate timing                    | 82%                         | 61%                       | 10%              |
| Corresponds with market<br>buying patterns | 63                          | 37                        | 5                |
| Allows for lead time                       | 5                           | 14                        | —                |
| For new product introductions              | 6                           | 8                         | —                |
| Christmas season preparation               | 5                           | 2                         | 5                |
| Prefer one exposition over two             | 4                           | 12                        | 19               |
| Prefer spring                              | 1                           | 10                        | 10               |
| More favorable weather                     | —                           | 8                         | —                |
| Less competition                           |                             |                           |                  |
| with other expositions                     | 2                           | 7                         | —                |
| Better attendance                          | 6                           | 6                         | —                |
| No reason for preference                   | 9                           | 14                        | 71               |

In the current survey, the participants were asked to indicate whether they prefer the expositions during the Winter (January) and Summer (July), as was done between the years 1939-1983, or during the Spring (March-April) and Fall (October-November), as was done since 1984. Half of the participants stated that they prefer the Winter/Summer schedule. Four percent indicated no preference.

The preference for the Winter/Summer Expositions was influenced primarily by the fact that 63% of these manufacturers felt that the schedule corresponds more closely with "market buying patterns."

For the Spring/Fall, preference was influenced less often by "market buying patterns," at only 37% mentions. On the other hand, those who preferred the Spring/Fall mentioned "new products/lead time" and "weather" related reasons more often.

# PROBLEMS HOUSEWARES MANUFACTURERS ANTICIPATE FOR 1986 (VS. 1985 AND 1984)

|                                                         | % OF MANUFACTURERS   |                      |                      |
|---------------------------------------------------------|----------------------|----------------------|----------------------|
|                                                         | Expected<br>For 1986 | Expected<br>For 1985 | Expected<br>For 1984 |
| <b>Changes in the Competitive Mix</b>                   | <b>56%</b>           | <b>45%</b>           | <b>32%</b>           |
| <b>Economic Factors</b>                                 | <b>24</b>            | <b>22</b>            | <b>31</b>            |
| Declining Dollar                                        | 10                   | —                    | —                    |
| Maintaining Profit Margins                              | 10                   | 9                    | 11                   |
| Economic Outlook/Tight Money/Recession                  | 6                    | 11                   | 15                   |
| Credit/High Interest Rates                              | 2                    | 4                    | 7                    |
| Inflation                                               | 1                    | 1                    | 2                    |
| <b>Promotion/Marketing-Related Problems</b>             | <b>11</b>            | <b>14</b>            | <b>13</b>            |
| <b>Production-Related Problems</b>                      | <b>10</b>            | <b>13</b>            | <b>17</b>            |
| <b>Higher Costs</b>                                     | <b>10</b>            | <b>12</b>            | <b>24</b>            |
| Materials                                               | 4                    | 6                    | 15                   |
| Rising Interest/Increased Overhead                      | 3                    | 5                    | 8                    |
| Labor                                                   | 3                    | 3                    | 5                    |
| Freight/Shipping                                        | 2                    | 2                    | 3                    |
| Energy                                                  | —                    | —                    | 1                    |
| <b>Collections/Accounts Receivable</b>                  | <b>7</b>             | <b>8</b>             | <b>11</b>            |
| <b>Changes in Retailers' Buying/Inventory Attitudes</b> | <b>6</b>             | <b>13</b>            | <b>15</b>            |
| <b>Changing Consumer Needs/Demands</b>                  | <b>6</b>             | <b>8</b>             | <b>9</b>             |
| <b>Declining Sales</b>                                  | <b>4</b>             | <b>7</b>             | <b>2</b>             |
| <b>Governmental Regulations/Controls</b>                | <b>1</b>             | <b>2</b>             | <b>1</b>             |
| <b>No Problems/None</b>                                 | <b>3</b>             | <b>2</b>             | <b>3</b>             |

**Note:** Since some manufacturers mentioned more than one problem, the above table totals more than 100%.

As in past years, in the current survey the manufacturers were again asked to indicate the types of problems they anticipate for 1986. Most often cited was their concern over "changes in the competitive mix." This was cited by more than half (56%) of the participating manufacturers. This represents the highest level of concern evident since these questions were initiated. These problems were cited especially often by the larger manufacturing organizations.

While concerns over "economic factors" were mentioned by approximately one-fourth of the participants (24%), it is noteworthy that, of these, 10% cited the impact of the "declining dollar," a problem that has not been cited in earlier years. On the other hand, at 6%, concerns over "economic outlook/tight money/recession" were at the lowest level to date.

In addition, the mention of concerns over "changes in retailers' buying/inventory attitudes" have been declining steadily, to 6% in the current survey.

The concerns over "promotion/marketing related problems," which were cited by 11% of the participants, were noted most often by the smaller manufacturers. This suggests their recognition of the need for more sophistication and marketing savvy.

The purpose of the following unedited comments is to supplement the foregoing observations regarding prevailing attitudes and concerns for 1986 of some of the responding housewares manufacturers.

Importers taking away purchase dollars as well as retail shelf space.

Direct importing by major customers, slack economy, labor and raw material increases (having remained stable for past two or three years).

High inventories to service the retailers immediate demand for merchandise as they fight to keep their own inventories low. Interest rates.

Dwindling export sales because of strong U.S. dollar, foreign governments devaluating their currency and high foreign duties.

Trend toward lower prices rather than better quality. The trend toward upgrading has been reversed.

Increasing unreasonable demands by customers fueled by proliferation of competition and excess supply related to demand.

Concern about surplus import of low quality items from China and South America. Possibility to ruin market in terms of price.

Without a doubt import competition. Direct copies of our products which sometimes infringe existing patents. Something must be done to correct the unfair trade situations.

Far-East "knock-off" of our American products.

Intensified competition in pricing on imported cookware from other importers. Margins are shrinking drastically. Declining economy in Far East countries creating "cut to the bone" pricing. Additionally, direct purchasing by retailers world-wide affecting domestic distribution firms badly.

Coping with trade demands for additional allowances and discounts. Demands from trade for year long "guaranteed" prices.

Department stores are going with cheaper products, direct imports and are not interested in quality and packaging. Retailers are not paying in normal terms and continually short change on paying by making up deductions.

The shrinking market place — mergers and buy outs of the major retailers forcing demands on small business men. Squeezing importers by competing directly with them via overseas buying.

Lack of loyalty from the retail community, if they can knock off a product in Taiwan, China, Brazil, etc., after they test viability from a supplier like myself — they almost always do.

Controlling internal expenses due to rapid expansion, controlling product costs due to dollar erosion overseas, controlling warehouse and transportation costs projected to increase in 1986. Maintain profitability levels necessary for continued growth. Maintaining adequate cash flow and reducing past due account levels and bad debt in the face of an increasing number of bankruptcies and slow pay accounts.

Our big problem is that small independent stores are closing. Big stores (dept., disc., etc.) are only interested in name brand merchandise.

Mass merchandisers are directly importing our main item which they used to buy thru us.

Loss of distribution through consolidation and acquisition of key retail accounts. Example: T. G. & Y./McCrory.

Consumer spending on large ticket items (housing and automobiles) rather than small ticket items.

Continued pressure from imports. Can't make any profit to re-invest on new products or marketing tools.

Obtaining shelf space — i.e. intense competition with both domestic and imported products.

Continued inflow of imported goods, each one undercutting the price of the other. Being an American manufacturer, this hurts us the most.

Fighting for distribution of our products against the giants in our field.

Synchronizing the changes in our product mix to coincide with the changes in cooking and baking habits.

Falling dollar — price increases in Orient.

The consolidating of so many companies in the market place into a few large corporations.

Meeting the needs of new merchandising concepts i.e. warehouse outlets or stores, direct store service to wide spread chains, holding our position due to mergers and consolidated buying.

The inability or lack of desire for the buyer to place commitments, yet demanding immediate shipping ability on the manufacturers part. We have just advised the field that all shipments will be extended by 4 weeks effective immediately due to the lack of buyer cooperation.

Again, foreign competition is our biggest problem. It is to the point where it is almost senseless to introduce new products. Before our products hit the market some company from another country has copied it and offers to buyers the chance to buy it for approximately half the price.

Many of the American retailers buying strictly price — we are unable to pass on any increased costs and be competitive with the above.

Problems with the yen, frank against the falling dollars. This makes manufacturing very difficult overseas. The pressure is very strong for a small company. As an importer, it's tough. As an exporter it's great! Expenses keep increasing and your customer wants lower prices. We're caught in the middle — the result is a small profit margin.

The steady, increased flow of imports from the Orient at low tariff, causing "knock off" copies to be made by major U.S. chains. After the initial marketing and start up cost has been covered by us — yet the product is sold at retail at the same price as American made.

Major competitors (big companies) controlling the major accounts whose buyers will then not even consider our product line on its own merit. This has been an existing problem for us which we unfortunately expect to continue.

Precipitous drop in primary demand for our product category, "dumping" of inventory in our industry, staying in business at all.

Massive competition from poor quality imports. Mainly Taiwan — but considerable amounts from Canada as well. Canada trading on profits from exchange rate — not from competitive pricing of merchandise.

Continuing "soft" market. We must avoid constant "price wars" by retailers and yet present sufficient "perceived value" to consumers.

Price slashing by the competition. As we cut prices as well to retain or gain market share, margins shrink.

Promotionally oriented market place. The retailer wants to run sales events, however still wants full mark-up. This causes manufacturer to reduce profit margin which is not offset by increased volume.

Price erosion — rebates have depressed the value of the product category.

The loss of several small and medium sized variety store and mass merchant chains due to acquisition.

Exports were 35-40% of our volume, month in month out. Today, virtually non-existent!

Keeping an extremely tight control on costs as it will be impossible to raise prices in 1986's bitterly competitive market.

The 1985 recession that hit so strongly in the second quarter has made us hesitate to commit for large inventory requirements. Forecasting 1986 needs will be difficult.

Competitors willing to meet or beat any price to get the order.

Permission is granted to reproduce any information, charts and/or statistical tables from the National Housewares Manufacturers Association's Nineteenth Annual Marketing Research Study of Housewares Manufacturers for 1985, with appropriate credit to the NHMA.



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